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International Issues

REGIONAL AND POLITICAL ANALYSIS

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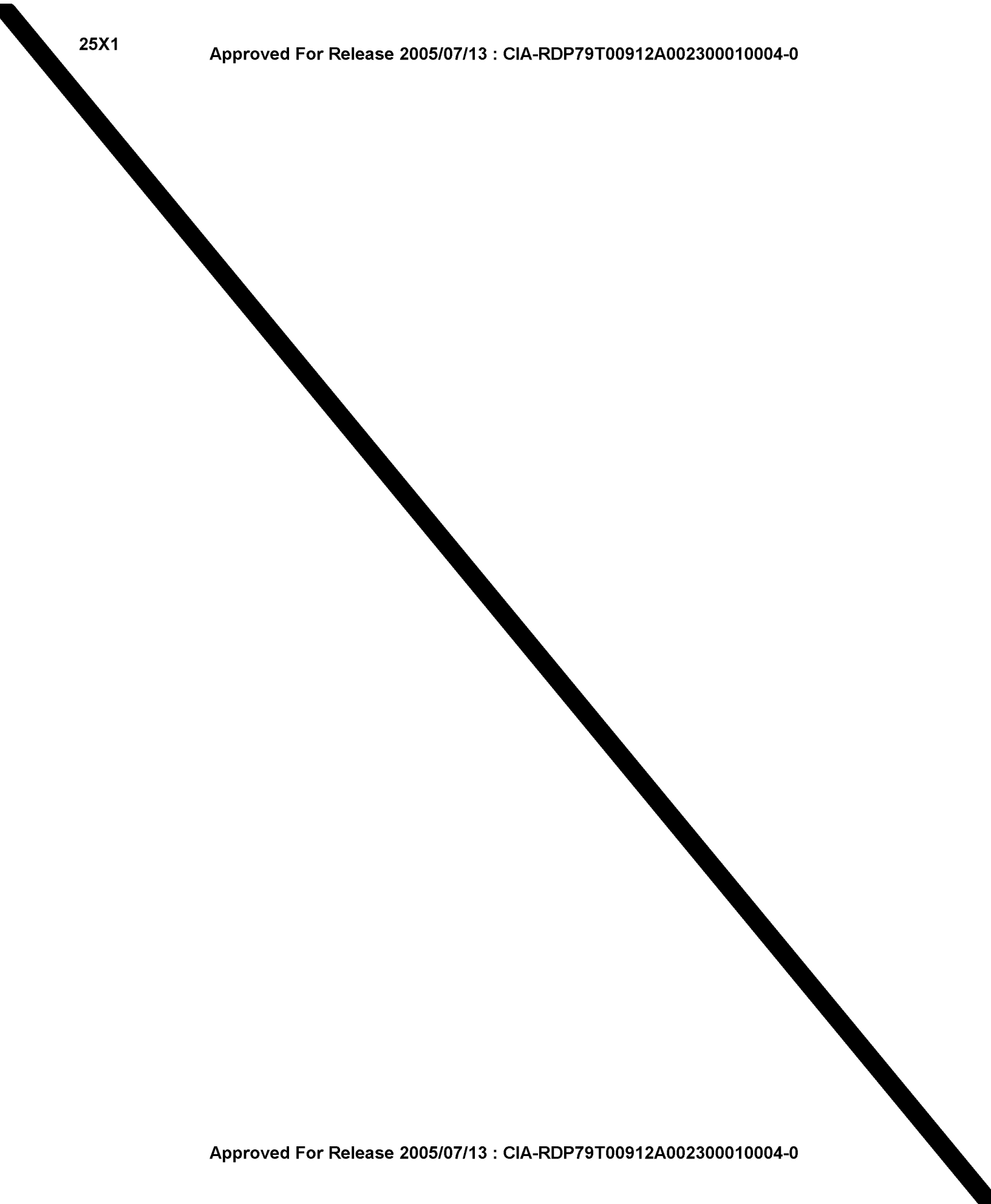
RP AII 77-006
22 June 1977



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INTERNATIONAL ISSUES

22 June 1977

CONTENTS

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25X1

25X1

RP AII 77-006
22 June 1977

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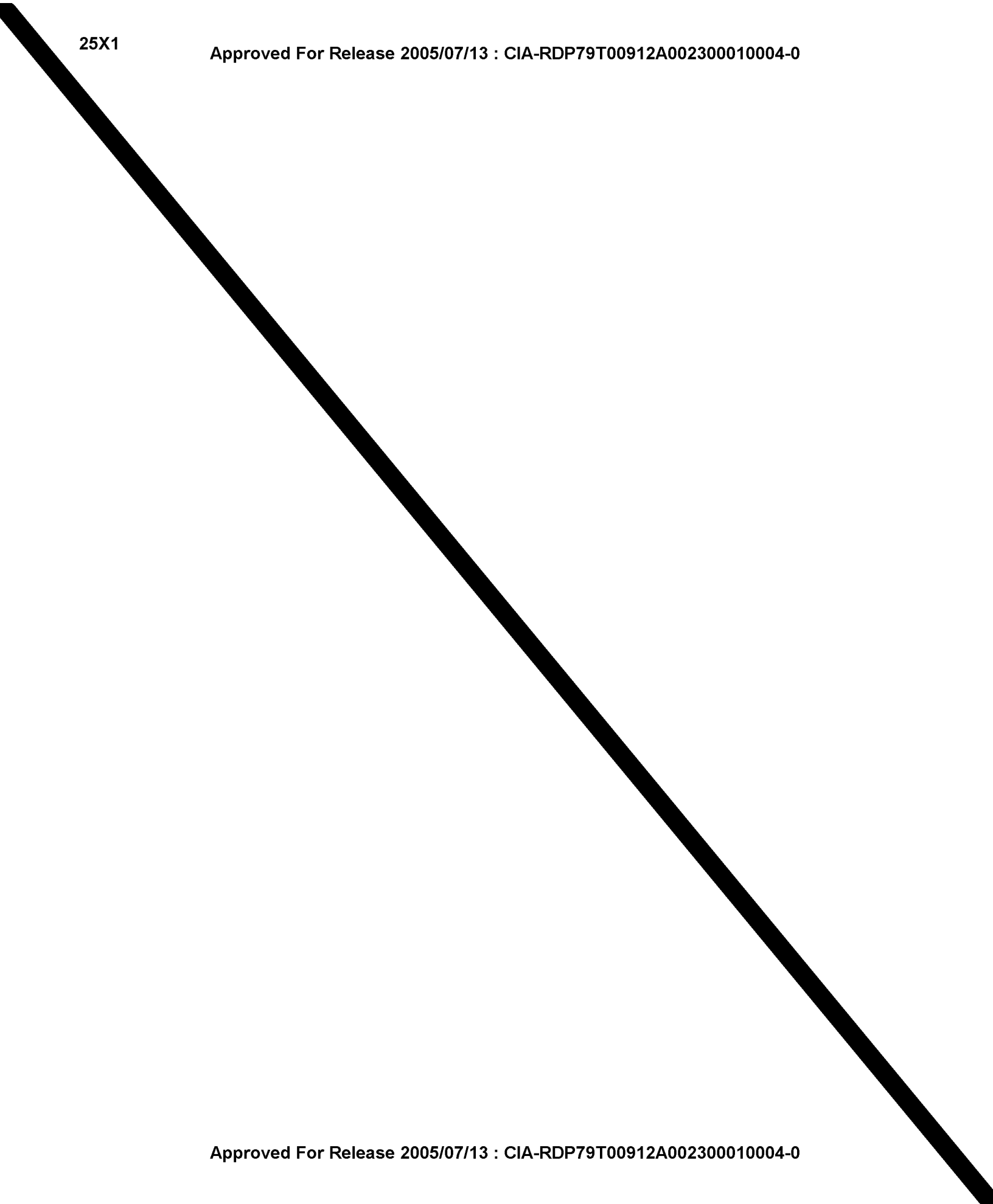
This publication is prepared by the International Issues Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the Directorate of Intelligence. The views presented are the best judgments of individual analysts who are aware that many of the issues they discuss are subject to alternative interpretation. Comments and queries are welcome. They should be directed to the authors of the individual articles.

RP AII 77-006
22 June 1977



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The Weakness of Central Governments: Implications for Dealing With International Issues

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The weakness of central political authorities is emerging as an issue of increasing international significance in the 1970s, especially for the management of key global problems. Not only do the developing countries exhibit this tendency--indeed, for many, domestic instability has been a chronic condition since independence--but the governments of industrialized countries in both the East and the West are facing increased internal strain.

In the industrial democracies, challenges to central governments have been manifested for the most part in declining parliamentary majorities, as in Japan, West Germany, Italy, the UK, and Israel. Other manifestations are persistent labor and student unrest, political violence including terrorism, and what might be called "centrifugal politics," i.e., separatism in the UK, (Scotland), France (Brittany), Canada (Quebec), Spain (Basque), Belgium, and Northern Ireland. The developing

RP AII 77-006
22 June 1977

Domestic turmoil challenges the authority of central governments and their ability to mobilize political support and manage pressing internal problems.

countries have also experienced a large amount of domestic turmoil that challenges the authority of central governments and their ability to mobilize political support and manage pressing internal problems. In 1977, political violence aimed at central political authorities has so far occurred in Ethiopia, Angola, Pakistan, the Seycheiles, the Philippines, Indonesia, Argentina, Thailand, El Salvador, Nicaragua, Lebanon and Benin. Finally, during the past year, the governments of the USSR, the East European Communist states and--especially--China have experienced persistent, if not increased, problems with dissidents and general public discontent.

The importance of this pattern of challenges to central political authorities lies in its implications for the international environment in which US foreign policy initiatives on global problems are being made.

RP AII 77-006
22 June 1977

Domestic instability is significant not only because of its immediate effects on ruling elites, bilateral and regional political relations, and East-West competition, but also because of its significance for addressing global issues of increasing salience such as human rights, responsiveness to LDC economic demands, antiproliferation policies, and arms transfer restraints. The weakness of domestic regimes throughout the developed-developing country continuum makes international cooperation on global problems much more difficult to achieve. With little domestic political capital to spare, the concessions so often necessary for longer term and mutually beneficial international policies may be too costly in the short term for hard-pressed governments to bear.

An instructive example of this phenomenon may be found in the difficulties arising in managing nuclear proliferation. In this case, short term political and economic problems have been attended to through measures that increase the long-term risk of nuclear catastrophe. The West German insistence on the sale of sensitive nuclear technology to Brazil, despite US requests to modify the sale so that the proliferation risk would be reduced, is a case in point. Similarly, other setbacks for international cooperation (e.g., the ambiguous end of the Conference on International Economic Cooperation, the dim prospects for the Law of the Sea negotiations, the failure of the international community to combat effectively international terrorism, and the inability of international institutions to develop cooperative policies on telecommunications, natural resources, and the environment) may in good measure be explained by the preoccupation of governments with domestic problems.

We recognize, of course, that the origins of domestic instability are for the most part explicable only in terms that are unique for each individual country. Local issues, especially rivalries derived from ethnic, racial, class, or sectional factionalism, are, of course, the most proximate causes of domestic conflict. There are, however, a number of international factors and trends that may either increase the weakness of central political authorities or at least create an environment that is more conducive to challenging them. Among these are:

--The slackening in East-West tension, especially in Asia and Latin America, and the declining importance of East-West rivalries

to political elites in Europe and Africa.

--Persistent uncertainty about energy prices and supplies.

--Challenges to established international institutions especially those dealing with trade, finance, and economic assistance.

--Continuing global economic stagnation.

--The diminished faith in the ability of the great powers to maintain world order.

Again, the significance of these trends and factors lies not only in their influence on internal politics, but also in their impact on the ability of governments to develop cooperative policies to manage global problems.

The election of a conservative government in Israel, the leftward turn in the French municipal elections, and the uprising of secessionists in Zaire are three recent examples where challenges to established political authorities and institutions were affected by factors in the international environment. The growing dependence of the US on Middle Eastern oil and Arab political good will contributed to the fall of the Israeli Labor Party, which had traditionally pointed to its close cooperation with the US as a rationale for its continuance in power. The diminution of East-West tensions allowed the French Left coalition to define its opposition to the prevailing political authorities in a context relatively free of the threat that greater pluralism in Western Europe would lead to a resumption of the Cold War. The revolt in Zaire, while certainly stimulated by historical antagonism, was probably given impetus by the example of the passive US reaction to events in Angola and the perception by the rebels that international conditions made the time for their own uprising opportune.

As a subject for political analysis the challenges to and weaknesses of central political authorities will especially concern policy-makers who deal with both the traditional agenda of regional political, economic, and security relations and the so-called new agenda of global issues and problems. This will be so because the weakness of central authorities is an important link between these agendas. For, as global trends and problems contribute

to the weakness of governments vis-a-vis traditional concerns, this weakness may well complicate the management of global problems requiring farsighted and domestically controversial measures by industrial nations and LDCs alike.

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OECD Energy Cooperation Enters a Crucial Period

Efforts to Reduce Dependency

The IEA was formed in the wake of the 1973-74 oil crisis in the belief that solidarity on the part of the major oil-importing countries was essential to improving their energy security and that a risk of more general political and strategic fragmentation was inherent in uncoordinated approaches to the oil problem.** Accordingly, the Agency's members have joined in a number of

25X1

***This belief was not unanimous. France preferred to follow a more independent course and has not joined the IEA, although through the European Community it participates indirectly in some aspects of the Agency's work.*

RP AII 77-006
22 June 1977

common undertakings, including an emergency oil-sharing plan, monitoring of the international oil market, and various joint energy research and development projects.

Thus far, however, the consumer nations have had little success in altering the basic pattern of energy dependence. On the contrary, recovery from the 1974-75 recession has brought a resumption of rapid growth in energy consumption and, concomitantly, demand for OPEC oil. Faced with this trend, the IEA last year initiated a "Reduced Dependency Exercise," which--unlike most of the Agency's activities to this point--is a major test of its members' willingness to match rhetoric with actions that entail real sacrifices.

The heart of this exercise is the establishment of a group target for 1985 oil imports that is some 20-25 percent below current "business-as-usual" projections. Member states are then to commit themselves to hold their imports individually to totals consonant with this target and to demonstrate, subject to group review, national programs capable of attaining the necessary reductions. Agreements are to be formalized at a ministerial meeting scheduled for September.

Reaching agreement on the sharing of burdens and obligations has been politically difficult, given the delicate issues of national sovereignty involved. For example, Europe's main energy producers--the UK, Norway, and the Netherlands--have been particularly sensitive to any overtones of infringement upon their autonomy in production and export policies. Developments in the US, however, will probably have the most pronounced impact on the outcome.

The US has for some time been under pressure to take strong measures to curb the rapid rise of its oil imports. Given the scale of these imports and the fact that the US has a relatively large potential for improved energy production and conservation, it is generally recognized that decisive US action is crucial to any hopes for altering the adverse market situation faced by consumers. This is the basic message of the national energy reviews undertaken as part of the Reduced Dependence Exercise.

Against this background, the energy program announced by the Carter administration in April has generally been very favorably received by the US' OECD partners. The program responds to most of the recommendations and criticisms made by recent IEA reports, for example, in the area of energy pricing. Nevertheless, European and Japanese enthusiasm has been tempered by skepticism regarding the chances for congressional approval of its more politically controversial elements.

The fate of the administration's proposals will have an important symbolic as well as a practical significance for energy cooperation. Signals that the US is unable or unwilling to follow through on its own commitment to reduced import dependence would effectively lessen the pressure on other, more hard-pressed countries to accept such obligations. On the other hand, adoption of a convincing American energy policy would considerably enhance the credibility and persuasiveness of US leadership and deprive others of a major excuse for inaction.

Nuclear Power

A second major uncertainty confronting the IEA concerns the development of nuclear power. The Agency's Governing Board is scheduled to devote its June 27-28 meeting to nuclear questions, and it is likely that the chances for a harmonious ministerial meeting in the fall depend upon some resolution of outstanding differences in this area.

Recent US initiatives aimed at preventing nuclear weapons proliferation--by tightening contols on transfers of nuclear materials and technology and by forgoing, or at least deferring, the transition to the "plutonium economy"*--have been challenged in Japan and Europe as

25X1

a direct threat to plans for reducing energy dependence. Nuclear development in many countries has already been slowed by a combination of growing environmental opposition and various technical and economic difficulties, and it is feared that the proposed US restrictions would compound the problem and thereby jeopardize what is counted on as an essential energy contributor over the next few decades. In addition, there is concern that following American wishes by expanding nuclear power through "conventional" reactors means a continued and growing dependence upon US and other foreign suppliers of uranium--in theory no more desirable than reliance on OPEC oil. Thus, as in the case of growing US oil imports, there is a perception that the US is itself a part of the problem of European and Japanese energy insecurity.

IEA critics of US policy are anxious that nuclear questions be addressed from an energy development standpoint, and have urged that the Agency play an active role here. Unlike other forums concerned with nuclear issues in the context of the proliferation problem--such as the International Atomic Energy Agency and the London Suppliers Group--the IEA, it is argued, is uniquely capable of approaching these issues from the perspective of energy security and related economic and political concerns.

In this context, the question of IEA participation in the International Nuclear Fuel Cycle Evaluation Program (INFCEP) now getting under way will be an important topic at the forthcoming Governing Board meeting.* Japan and the major European members--who are openly skeptical of the analysis supporting the US position on reprocessing--regard IEA involvement as a means of advancing their viewpoint on such contentious issues as the availability of world uranium resources, nuclear waste management and disposal, and future demand for nuclear services.

The stakes for IEA are considerable in this process. While the Agency risks becoming embroiled in nonproliferation politics that could damage the atmosphere of energy cooperation generally, the costs of noninvolvement in

* *Proposed by the US at the London summit in May, INFCEP is intended to be a comprehensive, multilateral review of alternative nuclear fuel cycles and related problems. Preliminary meetings in Paris among the summit participants have been held and may be resumed to coincide with the IEA Governing Board meeting in late June.*

these continuing discussions would also be high in terms of the IEA's relevance to future nuclear energy planning and development.

Producer-Consumer Relations

An important aspect of energy cooperation among the industrialized countries has been the coordination of policies with respect to negotiations with oil-producing countries, and indeed, one of the most convincing rationales for such cooperation has been the danger inherent in a pattern of highly competitive bilateral approaches to producer governments. By this standard, policy coordination among the "Group of Eight" (G-8) industrial countries in the CIEC Energy Commission--in which the IEA informally played an important part--was generally considered a success.

CIEC's end, and the failure of the G-8 to obtain agreement from the LDCs on a continuing energy dialogue, leaves the consumer nations without a multilateral forum for discussions with oil producers.* Nevertheless, a number of producer-consumer issues--including assistance to oil-importing LDCs and the expanding role of OPEC in "downstream" petroleum operations such as refining--will continue to demand attention for the foreseeable future. Maintenance of the degree of discipline that CIEC imposed upon consumer policies, in the face of what are likely to be increasing price and supply pressures, will be a major challenge.

The termination of the energy dialogue, however, only underlines what was already the case in regard to the basic questions of oil prices and supplies: that, under existing and projected supply and demand conditions, OPEC's market control remains unchallenged, and there is accordingly very little to be negotiated in a producer-consumer framework.

The strength of OPEC's position and the minimal leverage that oil-importers as a group have on price issues have been amply demonstrated by the experience of the last

* *At a regional level, the European Community Euro-Arab Dialogue will continue. Thus far the dialogue has not encompassed basic energy issues, but European incentives to move it in this direction could now increase.*

six months with OPEC's two-tier pricing system. Far from being able to exploit this unexpected open division among producers in order to encourage greater price moderation, consumer countries found that divergent interests among themselves and among the oil companies serving their markets made it impossible even to reach a consensus that the price split was a blessing. Faced with a chink in OPEC's armor, the IEA nations proved neither able nor, in some cases, inclined to exploit it--a considerable irony in view of early apprehensions that the IEA might be a provocative adversary of the oil producers.

If, as expected, the energy market tightens seriously during the 1980s, and as the United Kingdom becomes an important oil producer with an interest in at least maintaining prices, the possibility of effective joint OECD politics vis-a-vis OPEC to moderate prices will probably decline even further. Regardless of the near-term outcome of OPEC's internal pricing dispute, the longer term prospect would be for substantial rises in the real cost of energy, perhaps on the scale of the rapid increases of 1973-74.

In sum, then, the scope for collective action to improve OECD security may be somewhat narrow in the period ahead. Prospects will be very much influenced by the success of essentially domestic efforts by the major importing countries to reduce their dependence on imported oil and, in addition, by the success of efforts to arrive at a realistic compromise regarding nuclear energy development. It is likely that the most pressing area of consumer country cooperation will be coping with the effects of continued dependence--particularly through the international management of the economic and financial effects of rising energy costs--so as to avoid the most destructive and destabilizing kinds of national adjustments.

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Conventional Arms Transfers: Dynamics, Dilemmas, and the Challenge to the Intelligence Community

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The Case for a Multidisciplinary Approach

The political and economic motives that drive the arms transfer process are numerous and diverse. They range from fears born of real or perceived external threats to pragmatic considerations of domestic political advantage--and from desires for greater regional or global power and prestige to concerns over balance-

RP AII 77-006
22 June 1977

of-payments deficits and high levels of unemployment. No comprehensive listing will be attempted here. Nonetheless, it is postulated that such a tabulation will generally be needed to construct an effective analytical framework for assessing the likely ramifications of specific US tactical options.

In this regard, it bears note that the motives of most of the countries involved (buyers and suppliers alike) are overlaid and reinforced with a strong sense of nationalism. This tends to increase the political risks involved in the imposition of unilateral restraints. It also helps explain why concrete efforts to develop even a limited international arms control regime have been so widely resisted as entailing an unacceptable infringement of national sovereignty.

Further complications arise from the fact that a number of recent trends and developments have created a situation in which the basic interests and objectives of supplier and recipient states may diverge in many areas.* To some degree, the ability of suppliers to exploit arms agreements for political leverage has been eroded as well. Under such circumstances, it is all the more important to take systematic account of all the variables that could affect both the near and longer term ramifications of alternative responses to an arms transfer request.

When completed, the list will be long. In addition to the motivational and attitudinal factors cited above, such things as the political and socio-economic climate in the petitioning country, regional tensions, the nature and sophistication of the weapons or equipment requested, the absorptive capacity of the petitioning

** The factors that have contributed to this state of affairs include shifts in the prevailing geographic focus and terms of arms transfer transactions as well as concurrent changes in the global environment (e.g., the easing of East-West tensions, the sudden wealth of OAPEC states, the growing influence of other regional or "second order" powers, and the efforts of developing nations generally to challenge the existing international political and economic order).*

country, the availability of alternative sources of supply, potential impact on (and interaction with) other US policies and interests, and the interests and sensitivities of extra-regional powers will all have to be considered. Most come readily to mind. Yet a number of these factors--including a few that would seem to be quite important--have so far received inadequate analytical attention.

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While necessarily summary in nature, the observations advanced thus far underscore the risks entailed in attempting to analyze arms transfer questions from a relatively unidimensional perspective. In their variety, the forces that drive the arms transfer process transcend traditional disciplinary boundaries. The same is true of the other factors that can affect the consequences that flow from specific arms transfer decisions as well as of these potentially wide-ranging consequences themselves. Even if one looks no more than a year ahead, failure to take adequate account of all aspects of such a complex equation can lead to misleading conclusions. And while longer term projections are badly needed, these would obviously suffer even more.

The Challenge to the Intelligence Community

While the Intelligence Community will probably be called upon to apply its expertise more often to country or regional impact studies than to more comprehensive assessments, it will have to be prepared to analyze the full spectrum of political, economic, and security implications of both past and contemplated arms transfer decisions. At present, its ability to do so is impaired by the existence of a few rather significant analytical lacunae. Four of these are elaborated below. They are likely to prove difficult to fill, but this is all the more reason for recommending that they receive early attention.

--Linkages: Thanks in part to the thickening web of global and regional ties, dependencies, and obligations that now blanket the international scene, major policy and tactical decisions in the arms transfer field are likely to impact--either positively or negatively--on other important

areas of US foreign policy concern (e.g., East-West issues, energy dependence, the North-South dialogue, human rights, OECD relations, and nonproliferation). Obviously, the reverse can hold true as well. For the most part, however, these linkages are imperfectly understood. Hence, further research is necessary to ensure not only that they are anticipated but, when appropriate, that they can be effectively exploited or "contained."

--Absorptive capacity of the recipient state: In many cases, some fix on local capacity to absorb new technology will be essential for gauging the likely impact of a proposed arms transfer on the socio-economic development and military capabilities of the recipient country as well as for estimating the extent and duration of any necessary post-transfer technical assistance. To the degree that the conclusions reached with respect to these questions shed light on the likelihood of domestic dissidence or xenophobic trends, an appreciation of absorptive capacity can be useful in assessing the political implications of the transfer as well. The problem is that there is as yet no accepted method for determining absorptive capacity. In effect, each analyst must devise his own. The hazards are obvious. Hence, an intensification of efforts to remedy this state of affairs would clearly seem to be in order.

--The anatomy of current impediments to international cooperation in restraining arms transfers: The capacity of other major arms suppliers to capitalize on sales opportunities created by US self-restraint (itself a question in need of further attention) is clearly not unlimited. Nonetheless, if the US does not succeed in persuading at least some of the other principals involved (both buyers and sellers) to follow suit, not only

will its efforts to scale down its own role be unlikely to much reduce the overall level of international arms transfers, but the political costs incurred in sustaining these efforts will almost certainly increase. Hence, the imperatives that drive the key participants in the international arms market bear urgent and careful scrutiny with a view to finding ways to blunt their force. While a country by country approach is indicated, some general issue areas are clearly of widespread importance. With respect to most of this country's NATO allies, for example, one important task will be to gain a firmer appreciation of the economic costs that they would incur by imposing comparable restraints on their arms sales to developing countries.

--Leverage and counter-leverage: The factors that will determine the extent to which arms transfers provide the US with an effective means for influencing the behavior of the recipient state or, conversely, the extent to which such transfers erode this country's freedom of maneuver are numerous and complex. Obviously, they will also vary from case to case. Some remain to be identified. Others, like the bargaining chips already possessed by the recipient state (e.g., oil or strategic location), US tactics and objectives, the availability of alternative sources of supply, and the sophistication of the weapons and equipment transferred, are readily apparent. But even here our understanding of such things as relative importance, potential implications, and manner of interaction tends to be spotty. In short, much work needs to be done before confident judgments can be advanced in this area.

There are many other--and, in the eyes of some observers at least, possibly more pressing--analytical problem areas relating to arms transfers that could be listed. Moreover, since any work on these issues will have to

proceed in tandem with the preparation of studies specifically requested by policy-level consumers, the challenge to the Intelligence Community appears formidable. Fortunately, the newly established Arms Export Control Board may provide the bureaucratic focal point needed to minimize dissipation and duplication of analytical effort.

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Approved For Release 2005/07/13 : CIA-RDP79T00912A002300010004-0

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South Yemen Support for Terrorism

Although the Palestinian cause is an emotional political issue for the Arab states, most do not publicly support or condone Palestinian terrorist activity. The majority of Arab governments largely confine their assistance to the more moderate factions within the Palestinian movement such as Fatah. A few Arab states, however, are directly involved in supporting radical Palestinian groups that consider terrorism a legitimate method of struggle against Israel and "imperialism." Included in this latter category is South Yemen or, as it is officially known, the People's Democratic Republic of Yemen.

Motivation

Since the late 1960s South Yemen has been a leading proponent of radical causes in the Middle East. Within this context the Marxist-oriented leaders of South Yemen have provided significant support to Palestinian terrorists and their international allies.

Involvement with terrorism allows South Yemeni officials to enhance their militant credentials by practicing what they preach: opposition to conservative regimes in the area and hostility to "Zionist-imperialist plots." Isolated from the mainstream of Arab politics, and weak by any measure of national influence and power, South Yemen has used this tactic to make its voice heard and work toward policy goals unattainable by traditional means. Occasionally it has directly employed terrorists to strike at exiled opponents and foes from neighboring states.

RP AII 77-006
22 June 1977

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Popular Front for the Liberation of Palestine (PFLP). The PFLP and South Yemen's National Front Party share common ideological roots: both at one time were associated with the now defunct Arab Nationalist Movement, which preached Arab unity and revenge against Israel.

Other factors have also served to foster South Yemen's support for terrorism. Harsh security restrictions within the country severely inhibit critics who might wish to voice their opposition to the regime's policies. At the same time, these strictures allow the regime to minimize information leaks about the extent of its involvement in terrorist activity.

South Yemeni officials apparently firmly believe in the justice of their cause. In reaction to recent publicity about a US report on South Yemen's support for terrorism, its embassy in Addis Ababa released a statement alleging that the actions of the Palestinian people and other fighters for "freedom, independence, and human dignity cannot be construed as terrorism." The statement further claimed that South Yemen's support for these groups has been "authorized as legitimate by international conventions, UN declarations, and by the UN subcommittee on decolonization."

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RP AII 77-006
22 June 1977

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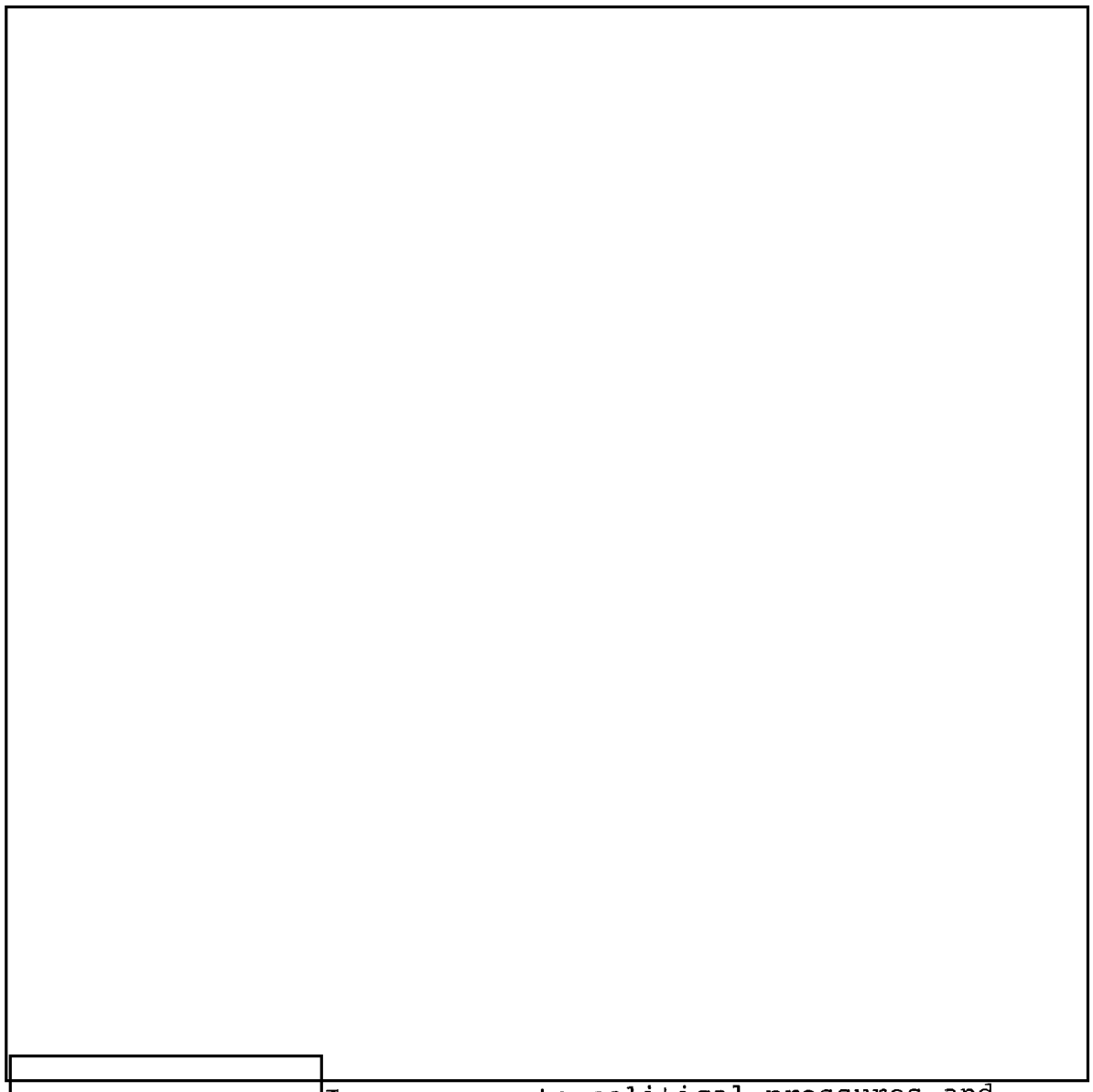

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In response to political pressures and financial inducements, Aden recently made some overt gestures of moderation toward its Arab neighbors. There is as yet, however, no conclusive evidence that the country has forsworn its support for terrorism. In any event, the moderate campaign has not been specifically directed at South Yemen's involvement with Palestinian terrorists.

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RP AII 77-006
22 June 1977

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Given the present ideological orientation of South Yemeni leaders, it is unlikely that any combination of external political or economic pressures will be successful in substantially and quickly altering their commitment to the terrorist cause.

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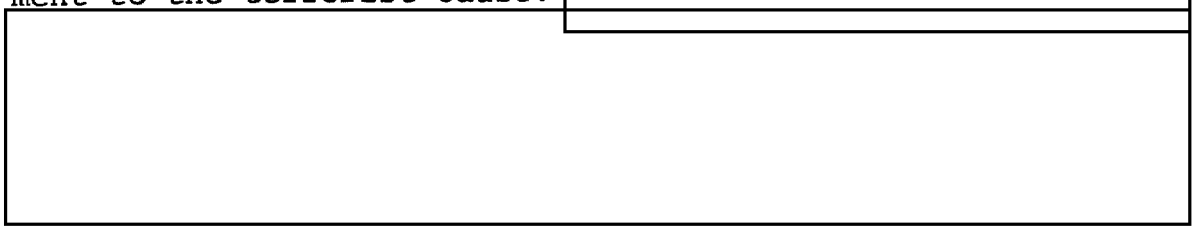

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RP AII 77-006
22 June 1977

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Algeria's Future Role in the North-South Dialogue

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Algeria was one of the 25 founding members of the nonaligned nations movement (NAM) in 1961, and it has been an active member of the Group of 77 (G-77) since this LDC caucus was formed in 1964. Algeria's leadership of the militant Afro-Arab wing of the NAM became apparent at the nonaligned foreign ministers' conference in Georgetown, Guyana in 1972. The Algerians dominated the fourth nonaligned summit in September 1973, which was held in Algiers, and for most of the next three years President Boumediene skillfully exploited his role as presiding head of the nonaligned states. The sixth special session of the UN General Assembly on resources and development in 1974, called at his initiative, was the zenith of both Algeria's role as a leader among developing countries and its influence over LDC politics on North-South issues.

Algeria retains considerable respect and support among radical and socialist developing countries because of its militancy and energetic performance at international forums. At the same time, however, its heavy-handed tactics have caused resentment among moderate developing states. Algerian prestige has suffered especially among the non-Muslim oil-consuming states which increasingly realize that Algiers cannot deliver

on its earlier promises of OPEC financial assistance and support for LDC demands.

Since mid-1975, Algeria has maintained a lower profile among the nonaligned states and has generally softened its advocacy of confrontational tactics in the North-South dialogue. In part, this attitude reflects an awareness by the Algerians that there is no longer extensive support among developing states for pursuing a confrontation with the industrialized nations. Algeria's less prominent role in international forums is also attributable to its preoccupation with the continuing dispute over Western Sahara with Morocco and Mauritania. Algiers has become increasingly isolated, especially within the nonaligned nations movement, because of this dispute, and President Boumediene has lost prestige at home and abroad because of his failure to restrain Morocco. Over the past year and a half, the Algerian President has also had to devote more attention to domestic political problems in order to consolidate his control and place a stamp of legitimacy on his authoritarian regime.

Thus, Algeria is unlikely to resume its former dominant role among LDCs at international meetings, in the near term at least. Its general interest in multilateral political and economic issues--particularly LDC demands for a "New International Economic Order"--will continue. The Algerians have a strong interest in promoting more favorable terms of trade and a transfer of advanced Western technology to further their own ambitious development program. They will strive to maintain LDC unity and may see benefits in damping the pressures for confrontation as a means for gaining concessions from the industrial nations, especially if concessions are attained. But over time, especially if renewed North-South strains become more pronounced, they are likely to support any concerted efforts by other radical states to raise the banner of confrontation once again.

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France in the Future North-South Dialogue

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The Foundations of Current French North-South Policy

France desires close relations with the third world--particularly with the Middle East and the former French colonies--for both political and economic reasons. In the political sphere, successive Gaullist governments have used relations with LDCs to buttress their claim to world power status--a status which they have considered necessary for their domestic standing as well as for their sense of France's rightful place in the international system. If France could not credibly claim to be a great power in the world of Atlantic or East-West relations, it could do so vis-a-vis the LDCs.

In the economic field, France is eager to secure--and if possible expand--its significant third world markets, and to guarantee stable supplies of raw materials, including--but not limited to--the imported oil on which she depends for 65 percent of her energy requirements. The French move toward closer ties with the Arabs, which became obvious* in 1967, was initially

* *France tilted toward the Arabs in the Six-Day War (by not supporting the Israelis) mainly in an effort to increase its capacity for political influence in the area.*

politically inspired; the oil crisis added an even stronger economic motive.

France's interest in a good relationship with OPEC led it to look more favorably than before on the demands of those LDCs that were not its former colonies. Especially during the early post - October War period, the OPEC states presented themselves as champions of the LDC demands. France therefore saw responsiveness to the LDCs as a way to help ensure greater OPEC responsiveness to France. Although many of the OPEC states have since considerably modified their pro-LDC stance, Algeria--with whom France desires a particularly close relationship--continues to be a vocal defender of third world demands. In addition, the oil price hikes of the past few years and the 1973-74 embargo on the Netherlands and US made France nervous about the security and cost of raw material supplies in general.

Finally, and in some ways most importantly, France is philosophically more amenable than its major partners to some of the LDC demands for structural change in the international economic system. It is considerably more *dirigiste*, more desirous of governmental ordering of internal and external economic relations--and consequently less supportive of free market principles--than any of the other members of the "Big Five."*

All of these factors combined make France more responsive than most other northern countries to LDC demands. Only the Dutch and the Scandinavians are more forthcoming, but their positions are in large part inspired by a humanitarianism that does not motivate the French. France's policy is grounded strictly in its perception of economic and political self-interest.

France devotes a greater percentage of its GNP to foreign aid than any other large industrial country, but most goes to its former colonies. The interest in good relations generally with LDCs that France developed after 1973 might have led it to be more broadly generous, but the economic recession which began shortly thereafter foreclosed that possiblity.

* *The US, UK, Japan, West Germany, and France.*

President Giscard entertaining Zairian President Mobutu aboard the Concorde in 1975

RP AII 77-006
22 June 1977

Even if it were in better economic shape, France would still be too small to do very much for the third world on its own. It has therefore worked hard to persuade its European and Atlantic partners to respond positively to LDC demands for a "New International Economic Order." The Giscard government succeeded in convincing the West Germans and the US to participate in the CIEC. France was the first of the Big Five to approve the concept of a common fund aimed at stabilizing prices for LDC commodities. Along with the Dutch, it eventually won West German and consequently general EC support for the idea.

The North-South Policy of the Next French Government

Will France continue to play the same role in the North-South dialogue over the next few years as it has in the past? The Socialist-Communist (PS-PCF) coalition is likely to win a parliamentary majority in the next elections and form the new government. The Left is even more interested than the current regime in fostering close relations with the third world. Not only does it share much of Gaullist nationalism, but its ideological self-definition leads it to strike a more humanitarian and defender-of-the-poor stance in foreign policy. In the economic sphere, a Left government would feel an even greater need than its predecessors for broadened export markets and stably priced raw material supplies if, as seems likely, it confronted an even more difficult economic situation at home. Finally, it would be even more sympathetic to *dirigisme* than the Giscard regime has been.

Still, the economic and political constraints on the ability of a Left French government to play an effective (as opposed to rhetorical) role in the North-South dialogue would be stronger than the motives in that direction. The first problem would be the internal economic situation. The Left's Common Program calls for new government expenditures that are estimated publicly by the Communists (and privately by the Socialists) to cost about 6 percent of GNP a year. Although the Left would probably not implement all of these measures, it would nevertheless have to make good on many of its promises--and they would be expensive. The tax

reforms which the Left would find politically feasible--new levies on property and capital gains and more efficient collection of income taxes--would not yield much additional revenue.

Negative rightist attitudes would probably place an additional serious strain on the economy. Private industrial investment has been depressed for the past few years--in part because business expects the Left to win in 1978; it would be likely to drop much more if the PS and PCF actually came to power. By the same token, substantial capital flight would probably occur. The likely result: slower growth and a decline in the value of the franc which, by raising import prices, would compound the inflationary impact of the Left's domestic measures and further undermine the already negative French balance-of-payments situation. In such circumstances, the French government would hardly be in a position to make substantial financial promises to the third world.

At the same time, political factors would prevent a Left government from imitating its predecessors and persuading its Organization for Economic Cooperation and Development (OECD) partners to agree to policies for which they would pay most of the cost. In the first place, a French government beset by domestic difficulties would be negotiating from a position of weakness. Since it might be asking for sizable economic aid from the other OECD states to keep its own economy afloat, it would be ill-placed to ask much for others.

Second, political tension between France and its partners (especially the US and West Germany) would probably reduce the latters' willingness to look with favor on any French proposals regarding the third world. The PS and PCF have greatly toned down their rhetoric against the EC and the Atlantic Alliance since their arrival in power began to seem a real possibility. They would have too many problems at home to incur additional ones by attempting massive changes in France's external alignments. Nevertheless, since the Left would feel forced to distinguish itself from "bourgeois capitalist" parties, it would not be a totally pliant partner within the EC and the Alliance. Some rhetorical hostility must therefore be expected, which would not help to alleviate

the initial antagonism and mistrust felt toward the Left by other OECD governments.

In the unlikely event that the present majority was returned to power in 1978, it would probably be more able than the Left to play an important role in the North-South dialogue, but it would still be seriously constrained by domestic factors. The majority coalition now shows the strains of 19 years of unbroken rule; its members are divided and seemingly drained of initiative. Those problems would continue if it won another election. Slow growth, inflation, and unemployment would probably still be important problems. In addition, it is possible that leftist supporters, disappointed at not obtaining their expected and long-awaited victory, would react with major strikes and demonstrations that would exacerbate the government's political and economic difficulties, and in turn severely lessen its ability to pursue an active foreign policy.

Implications

Therefore, no matter who wins the next election, France will probably not be as influential a participant in the North-South dialogue as it has been in the past. If the Left is in power, the chances that the North can adopt a common position will be reduced. At the same time, the LDCs will lose one of their key intermediaries with the other major industrial nations and will find acceptance of their demands that much more difficult to achieve.

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RP AII-006
22 June 1977

Next 3 Page(s) In Document Exempt

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Soviet Attitudes Toward the North-South Dialogue

"Evidently the term North-South should be understood as applying to relations existing between developing countries, no matter on which side of the equator they are situated, and advanced capitalist states. Our stand on this question is clearly defined. The Soviet Union supports the demands of the developing countries for restructuring international economic relations on a just and democratic basis. This means, above all, that the process of eliminating colonialism must be extended to the economic sphere and that oppression by imperialist multinationals and exploitation of natural and human resources of the developing states by advanced capitalist countries must be ended."

Leonid Brezhnev
Pravda, June 7, 1977

The following provides a perspective on Soviet attitudes toward the North-South dialogue and comments on some of the likely implications of a possible expanded Soviet role in that process.

* * *

The Soviets have a long record of interest in the so-called North-South dialogue, dating back to before the first UN Conference on Trade and Development in 1964. Their support of LDC development programs has remained exclusively rhetorical, however, except in those cases

where Soviet interests have dictated major direct aid efforts, as in Egypt.

Soviet participation in the series of UN meetings since 1973 that have dealt with developing country demands for a "New International Economic Order" (NIEO) has been especially perfunctory. The LDCs have explicitly identified the Soviet Union and some of the other Communist industrialized states as part of the North and have made specific demands of them for increased aid and concessions on the NIEO. In reaction Moscow has sought to maintain a low profile in the UN and made no effort to participate in any aspect of the recently concluded Conference on International Economic Cooperation (CIEC). The Soviets reject out of hand the contention that they increase their contribution to LDC development, placing the blame for the LDCs' economic condition on Western colonialism and exploitation by multinational corporations. Another cause for the low Soviet profile in North-South meetings is the repeated attacks by the Chinese on Moscow's policy toward the third world. Bitter exchanges between Soviet and Chinese delegates at virtually every UN economic meeting have become standard fare. In any case, while Soviet analyses stress that the North-South dialogue is but an extension of the basic East-West rivalry, Soviet leaders are bound to be dismayed over the degree to which this view is <u>not</u> shared by most LDC spokesmen.

The US recently raised the question of increased Soviet participation in the North-South dialogue. In his address to the CIEC, Secretary Vance stated: "We believe the industrialized Communist states should increase their development assistance. We are prepared to join with them in such assistance, when and where they are willing to do it."

From the Soviet perspective, any expansion of Moscow's role in the North-South dialogue would probably have to (a) be consistent with its self-image (i.e., that the Soviet Union is not responsible for the LDCs' current plight); (b) reduce vulnerability to pressures by LDCs for greater contributions to multilateral development assistance institutions; and (c) help to consolidate Soviet economic, political, and strategic gains in the third world.

RP AII 77-006
22 June 1977

From the US perspective, encouraging a greater Soviet role in the North-South dialogue (a) would generally complicate North-South negotiations (although Moscow in some cases would probably find it necessary to support the position of other industrialized countries); (b) would increase the obstacles the OECD countries face in reaching a united front on North-South issues; and (c) could precipitate a more active role on the part of China at UNCTAD. Weighed against these potential costs, there is the argument that no practical solution to the issue of stabilizing commodity prices or of managing such global problems as energy and food scarcities could exclude the Soviet Union.

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Next 11 Page(s) In Document Exempt

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